

Message Text

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ACTION EA-12

INFO OCT-01 EUR-12 ISO-00 AID-05 CIAE-00 COME-00 EB-08
FRB-03 INR-10 NSAE-00 ICA-11 TRSE-00 XMB-02
OPIC-03 SP-02 LAB-04 SIL-01 OMB-01 L-03 H-01
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INFO AMEMBASSY BRUSSELS
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TAGS: PINT, EGEN, EFIN, ETRD, AS
SUBJ: PRIME MINISTER FRASER SEPAKS ON WORLD ECONOMY ON EVE OF
TRIP TO JAPAN

REF: (A) CANBERRA 2476; (B) CANBERRA 2501 (C) CANBERRA 2609
(NOTAL) (D) STATE 96687(NOTAL)

BEGIN UNCLASSIFIED

1. SUMMARY IN A SPEECH ON SUNDAY NIGHT ON NATIONAL RADIO
AND TELEVISION, PRIME MINISTER FRASER "WARNED WORLD OF
CRITICAL YEAR". IN A PLEA FOR FLEXIBILITY ON EVE OF HIS
TRADE TALKS WITH JAPAN, FRASER WARNED THAT INTERNATIONAL
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LEADERS MUST BE FLEXIBLE AT NEGOTIATIONS OR DESTROY CHANCES
FOR A QUICK RECOVERY OF THE WORLD ECONOMY. END SUMMARY.

2. THE PRIME MINISTER CONDEMNED RIGID TRADE BARRIERS,
EXPRESSED CONCERN OVER INTERNATIONAL YOUTH UNEMPLOYMENT AND
FORECAST THAT LESSER-DEVELOPED COUNTRIES WOULD PLAY AN
IMPORTANT ROLE IN WORLD ECONOMIC RECOVERY.

3. HE SAID 1978 WAS A CRITICAL YEAR FOR DECIDING HOW QUICKLY THE WORLD ECONOMY WOULD RETURN TO THE GROWTH AND STABILITY OF THE PAST.

4. DISCUSSIONS THIS YEAR COULD SET THE PATTERN FOR THE NEXT TEN YEARS, HE SAID ON THE EVE OF HIS DEPARTURE FOR ECONOMIC AND TRADE TALKS WITH THE JAPANESE PRIME MINISTER, MR. FUKUDA.

5. MR. FRASER ALSO MADE IT CLEAR HE WOULD NOT WITHDRAW STRONG CRITICISM MADE LAST WEEK OF EEC POLICIES WHICH HAD VIRTUALLY SHUT AUSTRALIA OUT OF EUROPEAN MARKETS.

6. SAID HE " I HAVE USED AND WILL CONTINUE TO USE DIRECT AND ACCURATE LANGUAGE IN DESCRIBING THE EROSION OF OUR MARKETS IN EUROPE SINCE THE COMMUNITY CAME INTO BEING".

7. HE WAS PLEASED THE EEC HAD WITHDRAWN A THREAT TO CANCEL BILATERAL TALKS WITH AUSTRALIA, BUT VOWED HE WOULD NOT MODERATE HIS CRITICISM OF IT.

8. BUT HIS MAIN THRUST WAS THE IMPORTANCE OF THE TALKS WITH MR. FUKUDA.

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9. HE SAID HE WOULD NOT DWELL ON AUSTRALIA-JAPAN ISSUES, BUT WOULD CONSIDER MATTERS OF "WIDER IMPORTANCE -- THE WORLD ECONOMY AND TRADE."

10. FACTORIES, INDUSTRIES AND MINES WERE PRODUCING BELOW CAPACITY AND UNEMPLOYMENT, ESPECIALLY AMONG THE YOUNG, WAS FAR TOO HIGH.

11. SOME COUNTRIES - INCLUDING AUSTRALIA - HAD HAD MARKED SUCCESS WITH CONTROLLING INFLATION, BUT IT AS STILL TOO HIGH AND CHANGES IN INTERNATIONAL CURRENCY, PARTICULARLY THE U.S. DOLLAR, WERE CREATING PROBLEMS.

FULL TEXT FOLLOWS BY SEPARATE MESSAGE. END UNCLASSIFIED.

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12. COMMENT: PRIME MINISTER FRASER'S STRONGLY HELD VIEWS ON THE SAD CONDITION OF THE WORLD ECONOMY (CANBERRA 2501) HAS PROMPTED HIS MINISTERS TO CHARGE OFF IN ALL DIRECTIONS (CANBERRA 2825) MAKING STRONG STATEMENTS ABOUT AUSTRALIA' TRADE DESIRES TO THE EEC

(CANBERRA 2571) AND TO JAPAN (CANBERRA 2746).
HOWEVER, IT IS WHEN AND WHERE HE HAS ASSESSED THE U. S.
ECONOMIC SITUATION WHERE HE HAS BEEN SERIOUSLY OFF-BASE
OR HE AND HIS MINISTERS HAVE HAD SERIOUS MISCONCEPTIONS.
THUS, THE DEPARTMENT'S TIMELY GUIDANCE (STATE 96687) HAS
BEEN MOST USEFUL IN SETTING THE RECORD STRAIGHT BOTH FOR
THE PRIME MINISTER AND HIS FOREIGN MINISTER AS THEY SET
OFF FOR JAPAN (CANBERRA 2857, NOTAL). END LIMITED
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ALSTON

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